

ALONG CAME THE *TRANSNATIONALS*

For over a century, corporations have been pursuing their relentless drive for power and profit at the expense of ordinary people.

CORPORATIONS AS 'LEGAL PERSONS'

Many of us sense that the end of history will occur sometime during the next century. We pick up the newspaper and then look out the window, hoping to explain the eeriness of the front page. If there's a full moon in the sky, then maybe, just maybe, the approaching millennium isn't as close it seems. This might at least give us time to quibble over which aspect of social life—cultural, economic, ecological or political—will prove most unstable during the decline of Renaissance man.

Those who escape thought-reform at the end of history may trace our decline back to 1886, when the US Supreme Court declared that corporations are legal persons whose life, liberty and property are protected by the Fourteenth Amendment. Ratified to protect freed slaves, it took railroad-company lawyers less than two decades to turn this amendment into a loophole. By 1904, corporations controlled four-fifths of the nation's industrial production. Today, transnational corporations [TNCs] control the world's cultural and economic production as well, and generate most of its pollution.

A mere three decades ago, investment abroad meant that a US corporation anticipated a foreign market for goods produced domestically. Today it means factories in many countries, through complex global sourcing, production and sales networks. The labour movement, which created the middle class by stunting corporate growth during the first half of this century, can no longer keep up with these changes. Neither can governments. Since the first trade deficit in 1971, the US has shifted from the world's largest creditor nation to the world's largest debtor. By 1991, foreign-owned firms controlled half of the US consumer-electronics industry, a third of the chemical industry, a fifth of the auto industry, and half of the film and recording industry.

The political clout of corporations has kept pace with their economic growth, so there's no longer any need for absurd Supreme Court decisions. Now a lawyer can shop for a congenial offshore bank, deposit a briefcase of mumbo-jumbo in a room with an empty desk, and claim corporate sovereignty anywhere in the free-trade world. Not satisfied with the collapse of Socialism, nor with the worldwide integration made possible by advances in communications, transnationals are setting up international courts such as the World Trade Organization (WTO), packed with their own puppet judges.

Never before have corporations enjoyed such power. Many of the few hundred transnational giants are bigger than most nations. The economy of Ford is larger than Saudi Arabia's and Norway's, and the annual sales of Philip Morris exceed the gross domestic product of New Zealand.¹ Corporate hierarchies are rigidly totalitarian. As the transnationals control more of the world, this inescapably means a loss of rights and resources for many of its citizens.

US law was the first casualty of this corporate onslaught. Originally, corporate charters were designed to serve the public interest. These were State charters. There is no mention of corporate rights in the US Constitution, and very few rights came from legislation. As late as the 1870s, states were still removing charters, which were seen as legal fictions, when they no longer served the public. Charters were granted for fixed terms, and owners, managers and directors were responsible for corporate debts and any harm caused by the corporation, sometimes at double or triple the damage.

Then came the trusts. New Jersey was the first US state to grant corporations any right they wanted. As money flowed into New Jersey, other states did the same thing.² Lawyers hired by the trusts created through the courts a body of case law which continues to grow stronger. In *Buckley v. Valeo* (1976), the Supreme Court decreed that corpora-

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tions are legal persons with First Amendment rights of free speech—and corporate cash is a form of speech. Two years later, in *First National Bank v. Bellotti*, Justice Lewis Powell's opinion was that corporate spending to influence votes during a referendum campaign "is the type of speech indispensable to decision-making in a democracy, and this is no less true because the speech comes from a corporation rather than an individual."

Three justices, Byron White, William Brennan and Thurgood Marshall, dissented in the *Bellotti* case. They argued that corporations are "artificial entities" whose "special status" has "placed them in a position to control vast amounts of economic power... The State need not permit its own creation to consume it."

Two other decisions in 1986 expanded the rights of corporations in elections. In a dissent to one of these decisions, Justice Brennan added that "resources in the treasury of a business corporation...are not an indication of popular support for the corporation's political ideas."³

THE IMPACT ON LOCAL ECONOMIES

Democracies don't stand a chance against these giant treasuries. Corporations can control the way the world thinks simply through the power of saturation. In 1989 they spent over US\$240 billion on advertising and another \$380 billion on packaging, design and other promotions. This amounts to a total of \$120 per person around the world, or double what the average citizen of Mozambique earns in a year.⁴ And it seems that one result of saturation advertising in the Third World is a decline in the perception of class differences. By focusing on the product rather than the lifestyles of the rich, a semblance of equality is projected: everyone has access to the same thrills in a can of Coca-Cola.⁵

Farmers in India had better hope that Coca-Cola will suffice, because transnational corporations want them to stop what they've been doing for generations—namely, swapping seeds for the mutual benefit of the community. Under the intellectual property-rights provisions in GATT (the General Agreement on Tariffs and Trade), which are now enforced by the WTO, farmers are expected to pay royalties to patent-holding companies such as Cargill, the world's largest grain company.⁶ And in Canada, one effect of the free-trade agreements is to give US pharmaceutical corpora-

tions the clout to stop generic drugs, which are available there at a fraction of the cost.⁷

Transnational economic agreements, beginning with the International Monetary Fund (IMF) and World Bank 52 years ago, have escalated in the last decade with NAFTA, GATT, and now the WTO. In response to the 1982 debt crisis in the South, the IMF and World Bank imposed "structural adjustment programs" on poor countries as a condition for new loans. While the loans themselves are guaranteed by the US taxpayer, the "adjustments" benefit only the rich investors. The aim is to weaken domestic entrepreneurial groups in poor countries by eliminating protectionist barriers, price supports and government services. Frequently the currency is devalued, communally-held lands are privatised, and production is reoriented towards export rather than subsistence.

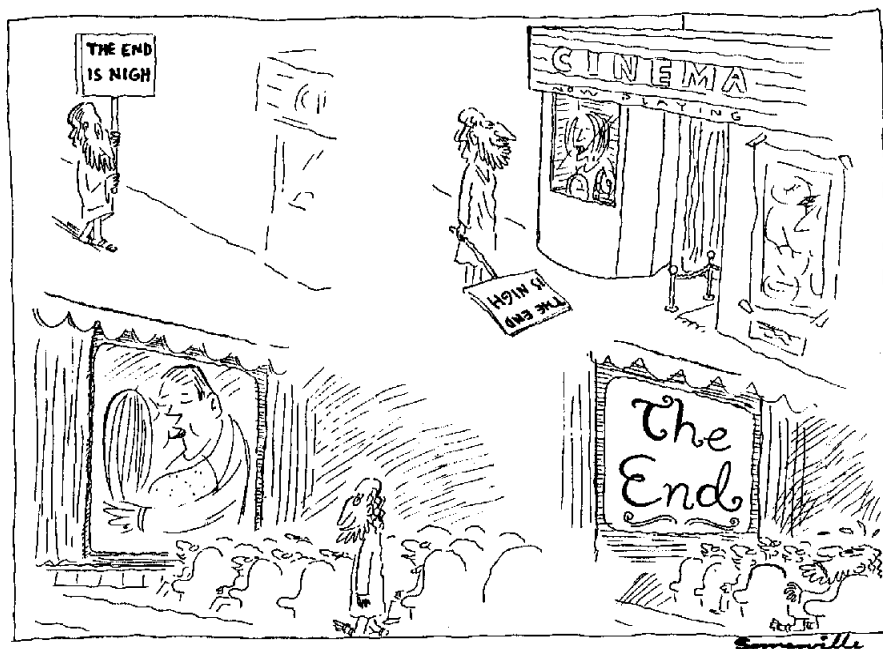
The official justification is that government bureaucracies are holding back development. What's good for business is good for the whole community, for free trade is the rising tide that lifts all boats. But, in practice, this means the deregulation of economic activity, the privatisation of functions once public, and the commercialisation of activities once social. In short, it means a net transfer of power from governments and the people to transnationals and private wealth.

Although governments are too often undemocratic, their mandate is to represent the public interest. Sometimes they stand or fall based on how well they fulfill this mandate. Corporations, on the other hand, are never democratic and frequently claim that their only obligation is to the bottom line of their shareholders. Their transnational character makes them almost immune to organising. If you manage to restrict their activities in one location, they can come back to haunt you.

The most tragic example of this occurred during the early 1970s, when transnationals were just beginning to feel invincible. A coalition of international banks and corporations, led by ITT, secretly worked together to put pressure on a new democratic government in Chile. Eventually Richard Nixon and the CIA joined the effort, which resulted in a bloody coup and years of repression. Presumably it also resulted in happy shareholders.

Poor countries have always wanted foreign exchange for industrial machinery, but now they need foreign exchange just to feed their people. The model imposed by the World Bank requires poor farmers to plant high-margin export crops in order to earn enough to buy imported food. This becomes risky at best, as international commodity prices can fluctuate unpredictably. In Mexico, government support of domestic agriculture has declined by 70 per cent since the mid-1980s. Many Mexicans, whose buying power declined by 60 per cent during that decade, cannot afford imported corn and beans.

The export model encourages migration from the land to the cities, and, to the extent that city slums offer little hope, it also encourages migration across national borders. The logic promoting this is that small farmers are 'inefficient' producers compared to export-driven agribusiness. About a quarter of all fruits and vegetables imported into the US are now from big companies operating in Mexico where labour and land are cheap, exchange rates are attractive and



environmental laws almost nonexistent.⁸

To feed themselves, many Mexicans end up working in the 2,000 factories along the border, where US companies pay 89 cents an hour for industrial jobs that were once filled by union labour in US factories. NAFTA was designed to encourage this trend and increase the profits of transnational corporations. During the negotiations between India and the IMF in 1991, one of the IMF's loan "conditionalities", which India resisted, was a cut in food subsidies. "It is clear that hunger, if not starvation, has become an instrument of economic adjustment," writes Jeremy Seabrook, a critic of development trends.⁹

United Nations experts predict that half of the world's population will live in cities by the turn of the millennium, and two-thirds by the year 2025. Already, these experts say, 500 million people living in cities are homeless or live in inadequate housing.¹⁰ Governments are unable to cope with this level of urbanisation, and shanty towns sprout faster than they can be torn down. As governments are forced by the transnationals to become less responsive to the needs of the people, it's unclear what will happen over the next several decades. Meanwhile, the transnationals couldn't care less what happens, as long as their profits increase. Since no one is in a position to tell them differently, they claim that it's not their problem.

The political and economic impact of transnationals in developing countries has been apparent for 25 years, but only recently has this global "rollback", as Noam Chomsky calls it, been felt in the US as well. This term comes from Cold War doctrines that aimed to destroy Soviet power, but Chomsky uses it to describe today's war against the social contract that once mediated between public and private interests. Freedom, democracy, human rights and other threats to authority, which evolved through many decades of social struggle, are being rolled back in favour of the discipline of the unregulated market, resulting in predatory capitalism and the "nanny state" with its welfare for the rich.¹¹

Only the classical economist from a corporate-funded think tank, or the libertarian who places property rights above human rights, bothers disputing the accumulated evidence. Bankruptcies, credit card delinquencies and consumer debt are all at record highs.¹² Falling wages and downsizing are the norm, and Social Security and Medicare may not be there for the next generation of retirees. The figures are in: the US middle class is rapidly disappearing.

CORPORATE TAX PRIVILEGES

Less publicised is the shift in taxation from corporations to individuals. In the 1950s, corporations operating in the US paid an average of 39 per cent of all Federal income taxes, but in the 1980s this figure shrank to 17 per cent. The same is true at the local level. In 1957, corporations generated 45 per cent of property tax revenues, but by 1987 their share dropped to about 16 per cent.¹³

Ronald Reagan's 1981 tax cuts were a bonanza for corporations. General Electric had profits of US\$6.5 billion from 1981-1983 and saw its tax burden go from \$330 million a year to minus \$90

million per year. GE used the rebates not to create jobs (50,000 were slashed from the payroll), but to acquire companies like RCA and NBC. Most new investment by US corporations during this period occurred in foreign countries. "American taxpayers, in other words, were unwittingly subsidizing the globalization of their own industrial structure."¹⁴

Transnationals also use "transfer pricing" to avoid taxes. With operations around the world, it's a simple matter to arrange transactions so that the profits show up in jurisdictions with lower taxes. When California attempted to compute taxes on the basis of assets in the state rather than the corporations' declared profits in the state, Sony chairman Akio Morita went to work and organised campaign contributions to California legislators. Twenty-seven states had followed California's lead, but all of them repealed their laws. California kept the law, but added a provision to exempt any corporation that paid a modest fee.¹⁵

Although another Federal tax law in 1986 was sold as an attempt to restore the balance between corporations and individuals, it didn't work out that way. This new law allowed corporations to deduct their interest on debts, while curtailing the same privilege for consumers. Speculative instruments such as futures markets, stock options, leveraged buy-outs, and mergers and acquisitions continued, financed with corporate borrowing. Now we have a 'casino society', with corporate debt at record levels in response to short-term financial considerations and a decline in tangible assets, such as new plant and equipment, relative to GNP.

Governments are unable to steer this juggernaut. Every day over a trillion dollars pass through worldwide currency exchanges, and an estimated \$150 billion in US Government bonds changes hands. About 10 per cent of these figures involves the normal transfer of goods and services, while the rest is purely speculative. "A financial crisis could assume global proportions in the blink of an eye," said Michel Camdessus, managing director of the IMF, at the June 1996 meeting of G7 leaders in Lyon, France.¹⁶

The tail of US debt is now wagging the dog of US policy. When Bill Clinton came into office with plans for a "stimulus package", bondholders considered this inflationary. The threat that they would unload their bonds meant that interest rates would be driven up. This would have slowed the economy and cancelled out the stimulus package. Clinton's idea was killed at birth.¹⁷

BATTLE FOR THE PUBLIC INTEREST

It's clear that our public institutions are unable or unwilling to ask transnationals to operate in the public interest. Thousands of lawyers, lobbyists, trade association employees, think-tank experts, public relations specialists, politicians and prominent journalists are drawing fat fees, on one level or another, by fronting for free trade and the private interests of international speculators and transnationals.

Aligned against them are a rapidly-increasing number of activists from around the world. They come from labour movements on the left to anti-globalist and anti-immigration movements on the right, and include environmentalists as well as inde-

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pendent experts on Third World development issues. All of them are now focusing on the effects of unregulated globalisation, which is emerging as the most important political issue of the 1990s.

Because of the economic and environmental pressures that motivate the activists opposed to globalisation, this will be an important issue well into the next century. Social life promises to get worse before it gets better. World population will increase from 5.5 billion to more than nine billion in the next 50 years, with 95 per cent of this increase in the poorest regions of the world. This growth rate is clearly unsustainable, as it depends on an ecosystem that's losing its capacity to support even current numbers, given the inability of governments to organise in the public interest.

For travelling author Robert D. Kaplan, the anarchy and chaos of West Africa is a premonition of the future, "*the* symbol of worldwide demographic, environmental and societal stress."¹⁸

Borders become mere conventions used by mapmakers, as refugee migration, smuggling, official corruption, criminals and armed rebels all contribute to the general disintegration:

"It is time to understand 'the environment' for what it is: *the* national-security issue of the early 21st century. The political and strategic impact of surging populations, spreading disease, deforestation and soil erosion, water depletion, air pollution, and, possibly, rising sea levels in critical, overcrowded regions like the Nile Delta and Bangladesh—developments that will prompt mass migrations and, in turn, incite group conflicts—will be the core foreign-policy challenge from which most others will ultimately emanate."¹⁹

Kaplan wrote this three years ago, before the term "globalisation" was used as a handle to identify those private interests that are contributing to the problem. Even when direct acts by the transnationals are not seen as the problem, it is still the case that only these private interests have the wealth and resources necessary to improve the public welfare. Unfortunately, they have yet even to express an interest in lending a hand.

Judging from the people behind Kaplan, he might not use the word "globalisation" today. Kaplan sees the next century with an eye toward its strategic implications for national security, rather than in terms of international class conflict. This isn't surprising. Kaplan received support from the US Institute of Peace and the Foreign Policy Research Institute for expanding his article into a Random House book. Both of these sponsors are linked to the US intelligence community.

While Kaplan captures the sense of social dissolution felt by many of us, his imagination is limited. He envisions a world where private security forces and proxy armies are in perpetual low-intensity conflict with disenfranchised marauders, armed cults and organised gangs. Given this scenario, it's easy to guess which side the Pentagon and CIA will support, for our national security elites were bought and paid for long ago by the transnational elites. There aren't yet any politicians with the clout to challenge this establishment, and only a handful with the courage. But this does not preclude the possibility of organised, effective opposition to globalisation.

THE POWER OF CORPORATE PROPAGANDA

Currently, the major battle is over popular culture and information—a battle for the hearts and minds of consumers and citizens. More precisely, it's a battle that will determine whether the average person will have a heart and mind at all, after another generation of 'McCulture' and infotainment. The question of "Why Johnny can't dissent" is answered by watching MTV and its many imitators. The boundaries between advertising, entertainment and information—with MTV's three-second interviews with political figures—are being utterly destroyed. Special effects have replaced content. These debased messages and images, many coming from a television that's on 50 hours a week in the average American home, has caused a serious decline in literacy and critical thought. Even newspapers, such as *USA Today*, have turned the news into easily-digested bites surrounded by colour.²⁰

Behind the canned news and advertising of the ideology industry are thousands of well-paid professionals. At many universities, journalism schools now share resources with public relations and advertising courses under the same "communications" department. PR practitioners in the US now outnumber reporters, and some of the best journalism schools send more than half of their graduates into these firms.

The distinction between journalism and public relations is fading everywhere. Some estimate that about 40 per cent of all video "news" is fed from PR firms to newsrooms. Journalists get two versions: a slick final version, and a raw one that they can edit. Most budget-conscious newsrooms simply present the slick version as hard news. And worthwhile new books are becoming rare: today's literary agents and publishers consider a promising investigative exposé to be a manuscript that offers titillating gossip about private lives in Hollywood.

It's the rich corporations that can afford the services of PR professionals. Nearly every major advertising agency either owns or is paired with a large PR firm. Along with those catchy "video news releases" that newsrooms love so

much, some PR firms offer industrial espionage, infiltration of civic and political groups, planted stories and phony grass-roots campaigns. Their corporate clients call this "integrated communications". The grass-roots campaigns, commonly referred to as "astroturf movements", are disguised as concerned citizens driven by conscience to petition the government. Since big money is available just underneath this façade, many politicians are no doubt grateful for the cover that "astroturf" provides.²¹

Frequently, PR firms flack for foreign governments and must register with the Department of Justice as foreign agents. Not so long ago, our media was more like a bumbling giant, certainly less centralised and seemingly less homogenous. In a story that made headlines in 1978, Prime Minister John Vorster was forced to resign when South Africa's apartheid government earmarked millions for the secret purchase of two major US dailies, the *Sacramento Union* and the *Washington Star*. After the scandal broke, South Africa had to settle for increasing the number of US public relations firms on its payroll: in 1979 there were 22, and by 1984 there were 31. Haiti, Indonesia, the Philippines, South

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Alex Carey

Korea and Turkey also used PR firms.²²

South Africa's attempt to purchase newspapers no longer seems so scandalous. Today's smart dictator would merely create an off-shore holding company with laundered money, and purchase newspapers as an 'investment'.

Our culture is so saturated with debased messages that abuse of media power rarely shows up on our radar. Even government officials get involved with illegal propaganda. In the mid-1980s, the US State Department, with CIA assistance, set up its own PR front and called it the Office of Public Diplomacy (OPD). This was a "private, domestic network designed to influence the Congress, the media and public opinion on behalf of the Administration's policies as related to the Iran-Contra affair." The investigation of OPD was minimal, and soon forgotten.²³

The media of the 1990s is significantly different from the media of the 1970s and 1980s. During the Gulf War, Hill & Knowlton, then the world's largest PR firm, collected US\$11 million from their Kuwait account. One of their tricks was to arrange the testimony of "Nayirah" (full name unstated) to the Congressional Human Rights Caucus. This 15-year-old sobbed while telling how she witnessed Iraqi soldiers in a Kuwaiti hospital pulling 312 babies from their incubators and putting them on the cold floor, then leaving with the incubators. This story was repeated countless times before the war started three months later. Even George Bush used it. After the war, it turned out that Nayirah was the daughter of the Kuwaiti ambassador, her testimony was coached by Hill & Knowlton and the entire story was false. Since the US Senate supported the war by a mere five-vote margin, this story may have made a difference.²⁴

The media's behaviour during the Gulf War had a different quality to it. Their disinterest in anti-war demonstrations around the country was matched only by their fascination over Pentagon video clips from the nose-cones of smart bombs. The latter was understandable, since access to stories from the front was controlled by the Pentagon under its new "journalist pool" system. But the former felt strange for many demonstrators.

Spectacular society leads us to dismiss our own experiences when it diverges too far from the official story. For example, the sustaining energy of the anti-Gulf War demonstrations in US cities was in part drained by trivialising, limited media coverage. In San Francisco, 100,000 anti-war protesters were just another "opinion" alongside 300 pro-war protesters in the suburbs. The reality of living through such a large demonstration became hard to believe when it was not reinforced in the *real* public sphere—television.²⁵

Twenty years ago, journalism schools were popular, in response to Robert Redford and Dustin Hoffman in the film *All the President's Men*. For a time there was even a television series about storefront lawyers, battling in court for the rights of the little guy in return for poverty-program wages. Fast forward to the 1990s, and watch a pack of coiffured, vacuous TV 'journalists' scratching for the best angle on one of O.J.'s lawyers every day for many months.

Herbert I. Schiller, a retired communications professor and author of some 10 books, has squarely placed the blame on the big corporations:

"What corporate domination of culture means is that those who get jobs in the varied cultural fields are subject, in different measure, to the commanding logic of corporate business. This logic insists on the unquestioned priority of extracting the largest profit possible from the specific cultural product. It should provide as well, unless it interferes with profitability, ideological comfort and support to the prevailing social order. These are the working

instructions, hardly necessary to be put into manuals, for the employee cohorts of the cultural industries. Employees, whatever their rank and status, disregard them at the cost of their job security."²⁶

Alex Carey, an Australian writer who died in 1988, goes even further. One of Carey's biggest fans is Noam Chomsky, who mentions Carey in interviews and speeches. Carey traces the history of corporate propaganda from the early part of the century, drawing on the American experience but with an emphasis on its lessons for Australia. "The twentieth century," Carey wrote, "has been characterised by three developments of great political importance: the growth of democracy, the growth of corporate power, and the growth of corporate propaganda as a means of protecting corporate power against democracy."²⁷

If Carey were alive to consider the globalisation issues emerging during the 1990s, he might have added a fourth development: along came the transnationals. But he would be correct to remain focused on corporate propaganda, which is where the struggle is being waged today.

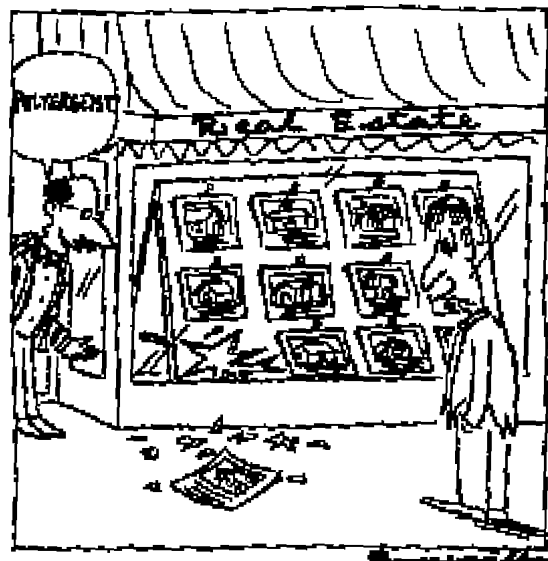
SAFEGUARDING OUR 'STAKEHOLDINGS'

Our first task is to devalue the word "shareholder" in our vocabulary. US corporate law holds that the management of publicly-held companies must act primarily in the economic interest of shareholders. Federal law should return to the spirit of early state laws, perhaps by substituting the word "stakeholder" for "shareholder". Stakeholders include everyone—not only shareholders, but also employees, customers and local communities. If there is any justification at all for granting superpower corporations the rights of a person, it can only be in proportion to their respect and concern for *all* of the people.

In addition, Congress and the Supreme Court should require the President to justify any giveaway of our nation's power to govern its own affairs. Our sovereignty is at risk. This has long been of concern to conservative populists, but recently the labour movement and environmental movement have also spoken clearly on this issue.

A window of opportunity for some effective and timely organising has abruptly come into view. If we fail to take advantage of it, this window may disappear just as unexpectedly.

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